OFFICIAL USE CIVEY	a comment of the solid of the s
	<i>(</i>
Approved For Release 2005/01/10 : CIA-RDP86T00608R000600070912-70 86	/ /
CIA/BER S-08617-75	
17 April 19745	
(
MEMORANDUM FOR THE RECOND	
SUBJECT: Balance of Payments Positions of Latin American Countries for 1973 and 1974	•
	STAT
On 14 April 1975, in a telephone	
conversation, gave the attached information to Tim	
· · · · · · · · · · · · · · · · · · ·	
	STAT
	1
Office of Economic Research	

Attachment: As stated

Distribution: (S-08617) 1 - D/OER

7.

STAT

STAT

(16 Apr 75)

OFFICIAL USE ONLY

Balance of Payments Position of Latin American OPEC Members and 19 Other Latin American Countries

		Million US \$
	1973	1974
Venezuela	543	4,009
Ecuador	98	109
19 other countries	3,448	693

- 1. The strong positive balance of payments position of most Latin American countries in 1973 reflected particularly good prices and world markets for most commodity and new manufactured exports from the region. For example, wheat, other grains, and such metals as copper were unusually strong.
- 2. The balance of payments positions of most Latin
 American countries deteriorated sharply in 1974 because of
 high oil prices and recessions in industrial nations. For
 the first half of the year, most countries' balance of
 payments were cushioned by continuing strong commodity markets.
 In the last half of the year, however, most commodities'
 prices and volumes traded in world market began to drop.
 Thus, the balance of payments position deteriorated by nearly
 \$2.8 billion.
- 3. In contrast, of course, the balance of payments of the Latin American OPEC members improved sharply in 1974 because of the quadrupling of world oil prices.

OFFICIAL USE ONLY

4. The balance of payments position of most Latin
American countries is likely to deteriorate further in
1975. Commodity prices are expected to remain stagnate
for most of the year. In some cases shipments are being
cutback in an attempt to boost prices or because of
production problems at home. Meanwhile, prices of manufactured
imports are higher this year. The region's oil bill continues
to be a drain.

Nigeria

With a GDP of more than \$20 billion, Nigeria is the economic giant of Black Africa. In addition to being the sixth largest petroleum producer in the world, Nigeria is an important producer of cocoa, rubber, palm products and peanuts. Despite its potential, however, Nigeria remains underdeveloped with most areas of the country deficient in social services even by LDC standards. Even its burgeoning oil income is not large when related to the needs of its eighty million people.

Petroleum production now dominates Nigeria's economy. In 1974 it provided 92% of exports and was the primary factor in the 65% rise in GDP to \$22.6 billion. Proved oil reserves amount to about 20 billion barrels, representing 25 years of production at the current rate. Potential reserves are believed to be much larger. In addition, long-term prospects are favorable for export of natural gas, reserves of which are estimated at 40 trillion cubic feet.

Oil production has removed the financial constraint on Nigerian development. Nigeria now has \$6 billion in foreign exchange reserves, and will probably continue to accumulate additional reserves through the end of the decade. If oil exports grow slowly in volume and price, and imports grow at 15%-20% annually, Nigerian current account surpluses could total \$30 to \$40 billion by 1980.

Nigerian oil production and prices increased steadily until recently. In March Nigeria fell into line with other OPEC members who have been reducing the price of their high quality, short haul crudes. Government take fell from about \$11.00 a barrel in December to \$10.56 for the first half of 1975. In addition, Nigerian crude oil production marked its fifth straight month of decline in March, averaging only 1.7 million b/d. This is its lowest level since January 1972. With its sizable reserves and limited spending, reduced current income will probably have no impact on Nigerian development plans for some time.

Tans Lor	some	cime.					
•					•	•	25X1
]
				7			
25X1						:	J
gradine de la composition della composition dell			 ·	<u>.</u>	Va	•—e _{ka} , company	ers ers

General Gowon formally launched Nigeria's ambitious new Third National Development Plan (1975-1980) in March. The plan calls for investments of \$48 billion --\$32 billion in the public sector and \$16 billion in the private sector. Almost half of public sector investment is slated for transport (\$12 billion) and industry (\$6 billion). Other priority areas are mining and quarrying, education, agriculture, housing, communications, power and health care. Private sector investment is to be concentrated on building and construction, industry, distribution and agriculture. Major planned industrial projects include two oil refineries, an LNG plant, a petro-chemical complex, fertilizer plants, an iron and steel plant, cement factories and automobile and truck assembly plants. Gowon called for active participation of foreign investors and experts in carrying out the plan and promised to reduce administrative red tape and foreign labor quotas in order to encourage it. At the same time, Gowon called for greater Nigerian participation on the managerial and policy levels of joint projects between local and foreign firms. To help realize this goal he said that Lagos will negotiate with "friendly countries" for overseas technical training of Nigerian students at Nigeria's expense.

The agricultural sector is the key to balanced growth outside the petroleum sector. Although agriculture takes top priority in the current plan, actual development activities will be hampered by the difficulty of reaching millions of small farmers practicing traditional agriculture. Despite its declining share of GDP and its slow growth rate, however, agriculture remains the backbone of the economy. It continues to employ over half of the labor force and makes the country almost self sufficient in food. Crop yields remain low, however, because of the continued use of primitive methods.

The development of agriculture is also necessary if Nigeria's large domestic market is to be developed to support indigenous industry. Lagos has already taken several measures to increase both rural and urban incomes. A combination of lowered export taxes and increased producer prices for crops has been instituted to increase farm incomes. The government also has plans to establish several development institutions to provide

2	

financing for indigenous businesses and has significantly increased transfers to the states to enable them to expand their development activities. Government is the largest employer of salaried personnel, and in Docember 1974 announced new wage structures that more than doubled the minimum annual wage in the public sector.

The task of spreading the oil wealth throughout the economy will be handicapped by a severe shortage of indigenous administrative and technical skills. As development emphasis shifts from relatively capital—intensive infrastructure expansion to the more labor—intensive sectors of agriculture, health and education, the shortage of trained manpower will become even more evident.

U.S. aid to Nigeria has focused on this problem. Although the volume of U.S. economic assistance in dollar terms has decreased throughout the 1970's -- down to only \$8 million in FY 1974 --, it has addressed the critical areas of manpower and rural development. U.S. assistance in the past has included such projects as: upgrading planning units of agricultural ministries, developing research and extension programs at agricultural colleges, developing a faculty of veterinary medicine, training in project development and training of educational leaders and administrators. In view of Nigeria's growing financial resources, the Third Development Plan notes that the government plans to review its technical assistance agreements to ensure that the flow of experts is not hampered by suppliers' budgetary limitations. Where necessary Lagos will bear the costs of foreign expertise or training either in whole or in part.

CIA/OER 30 April 1975

	3		

25X1

AFRICA

Nigeria Ficest Yours - Millions of Dollars)

				(V.	3. Fissel Y	oore - Millio	es of Dellar	<u> </u>								
	<u> </u>	U. S. OVERSEAS LOAMS AND GRANTS - COLIGATIONS AND LOAN AUTHORIZATIONS														
PROCRAM	POIT VAR BELIFF PRAIGO	PLAN PLAN PERIOD	MUTUAL SECURITY ACT		· · · ·		PCRE	CH ASUSTA	HCE ACT PE	4100		ſ -	TOTAL	TOTAL LOAMS	BEFAY. BESTS	TETAL LFIS SF-AT-
	74.174	1949-1937	1912-1941	1742-1745	1744	1947	1948	1949	1070	1971	1972	1073	744 71 0:00 1747 :073	4#7 C#4#73 1946 1977	449 1875 8557 1946 1973	#1144114 C=7
L ECONOMIC ASSISTANCE - TOTAL	<u> </u>	<u> :_</u>	_10.9_	137.0	_20.2	24.8	23.3	47.1	48.3	37.1	23.1	11.0	423.3	_62.1_	3.2	316.9
Granta	:	:	14.7	53.9 83.1	23.6	20.8	16.0	7.2	46.6	17.1	8.7	11.0	314.6	31.1 307.0	5.2	301.0
a, A1D and Profession Agencies Loans Clants (Phonis Supporting Assistance)	:	- <u>:</u> -	10.4_ 3.8 14.6 (-)	13.9 67.2 (-)	_27.2_ 1,6 28.6 (-)	21.6 6.0 13.6 (-)		35.6 35.4 (26.3)	39.7 1.7 38.0 (27.4)	37.6 20.0 12.6 (18.2)	15.4 8.3 (3.4)	10.6	314.6 114.5 214.1 (75.3)	311.9 ⁵ 72.7 218.9 (73.3)	3.0	374.8 47.9 218.9
D. Earl by Press (PC 430) Life L. Ty's! Reports in U.S. Oolters - Loans Payabin in Use Oolters - Loans Payabin in Even Currency - Flanned for	=	=			<u>-•:•</u>	0.7	- <u>2,1</u>	42.2	:-		0.2		<u>-51.0</u>		=	<u>•••.1</u>
Country Use	Ġ	Ġ	(-)	6	(-)	(-5)	(-)	Ġ	(-)	(-)	Ğ	Ġ	(÷)	Ġ	ć.	(÷)
Emergency Reset, Econ. Development, & World			_0.2_	3-3-	2.6_	_0.7_	2.1_	42,2 36,4	-0.3	-4.4	0, Z	-0.4	41.9	_61-3_	<u></u>	51.3
Food	:	:	0.3	2.1	0.4	0.7	2.1	3.6	1.3	3.8	0.2	0.4	14.0	14.3	:	14.3
Police Corse Diher	=	- :-	0.2	13.6	-4:3-	4.3		-1:3-	0:3	-0.1 0.1	<u> </u>	÷	-29.7 28.7	25.8 0.2°	0.2	-20.0 -20.0
MILITARY ASSISTANCE - TOTAL CRAIN OF LOAN Gang	-:-			0.5	0.3	0.2	- <u>:</u>	- :	÷	0.2	0.1	 -	-1.7 0.3 i.c.	1.1 0.3 1.5	-0.3	1.5
a, MAP Grants b. Ohtis Eales under FMS a. Mittary Assistance Service-funded (MASF) Grants	:	:	-:-	0.6	0.3	0.2				0.2	0.1	:	1.4	1.3	0.3	1.5
d. Transfers from Excess Stands.	<u>.</u>	.:_				:		:	:		:	:	<i>_</i> :	:	:	Ξ
- IOTAL FROONICANO MILITARY ASSISTANCE	<u>:</u>	-	4.0	34.2	30.1 4.6 23.9	9.0 21.0	9.7 16.0	7.2	1.7	37.3 20.0 17.3	23.2 16.4 4.8	11.0	117.8 310.2	433.4 310.3	, 3.3 , 3.3	378.4 87.5 210.3
ther U.S. Greenman; Loring and Grant: a. Export Import Bank Loans. b. All Other.	=	=	1.3	3.2	=	=	-÷	=	4.1	4.3 4.3	14.7	4:3	32.6	33.9	-0.3 6,7	27.6

Lese them \$10,000

Official Development Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional sid for development purposes, Jesterance (COA) - Official concessional side of the COA - Official concessional side of th

Includes \$14.8 million for Higorian-L Represents loss for Stratogic materia

119

UNGLASSIFIED

FURNISSIFIED

U.S. ECONOMIC AND MILITARY LOAMS AND GRANTS TO THE LESS DEVELOPED COUNTRIES IN FY 1974 (Millions of Dollars) CELIMINARY

Page 4 of 3

								(Mill)	ions of	Dollars)				- /	PRUL					Ρ,	33e 4 c! ?
							ECONOM	IC LOAN	S AND G	RANTS		•					MILIT	AOJ YE	NS AND	GRANTS	
					ECON	OMIC AS	SISTANCI	: (Olficial	Develop	nent Assis	tance)										
	Total					for Intern evelopmen		Food 1	or Pence	Public La	w 480)				Com- modity						
REGION AND COUNTRY	Eco- nomic	Total	Total						٠.	Tit! Dora				Export-	Credit Corpora- tion	Total	FMS	MAP	Trans-	MASE	
	Military Loans & Grants	Eco- nomic Loans & Grants	Eco- nornic Assist- ence	(Of Which: Loans)	Total A.I.D.	Loens	Grants	Total Food for Peace	Title I Sales- Payable in U.S. Dollars	Lairt- gency Helief, Ern- nomic Divelop- ment, & World Food Program	Volun- tary Relief Agen- cles	Peace Corps	Other Eco- nomic Assist- ance	Bank Loans	Export Siles Program & Other Loans	Military Loans & Grants	Foreign Military Sules (Credits)	Assist- ance Program (Grants)	from Excess Defense Stocks	Amrat- ance Senion- Funded	Other Military Grants
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(B)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(17)	(20)	(21)
Africa - (Cont'd) Burundi Cameroon ,	- 0.3 1.6 0.5	C 3 1.6 0.5	· 0.3 1.6 0.5	=	0.1 0.1	=	0.1 0.1	0.3 0.6 0.2	=	0.3 0.5 0.2	0.1	0.9 0.2	=	=	=	=	=	=	=		=
Child Corpo, Rep. of the Dihomey Ethiopia Gubon	6.8 0.7 1.2 50.4 2.5	6.8 - 0.7 1,2 36.4 3.5	6.8 0.7 1.1 30.4 0.2	15.0	0.1 0.2 20.7	15.0	0.1 0.2 5.7	6.2 0.7 0.3 13.9 0.1	=	6.2 0.7 0.3 13.9 0.1		0.5 0.6 1.8 0.1	=	0.1 3.3	=	23.0	11.0	11.3	- 0.7	· —	===
Gambia, The Ghana Guinha Ivory Coast Kenya	1.9 5.7 8.7 34.2 14.7	1.9 5.7 8.7 34.2 14.7	1,9 5,7 6,7 1,9 13,7	5.0 0.6	0.1 2.3 • • 11.6	9.6	0.1 2.3 • •	1,4 2,1 6,7 0,7 0.5	5.0	1.3 0.7 0.7 0.7	0.1 1.4 0.5	0.4 1.3 1.2 1.6	=======================================	3.0 32.3 1.0	=======================================	=	=	=	=	=	=======================================
Leiotho Liberia Malansy Rep. Malansy Rep. Malansy Rep.	3.6 13.2 3.3 0.4 16.4	3.6 13.1 0.3 0.4 16.4	3.6 6.0 0.3 0.4 16,4		0.1 2.7 0.1	=======================================	0.1 2.7 0.1	3.1 0.7 0.3 0.1 16.0	=	1,7 0.3 0,1 0,1 15,9	1.4 0.4 0.2 0,1	0.4 2.6 0.2 0.4	=	7.5	=======================================	0.1 	=			=	=
Mauritania Munitos Munucco Niger Niger Niger	13.7 3.3 20.8 21.4 8.3	13.7 3.3 25.2 21.4 8.3	8.6 3.3 19.0 21,4 0.5	 0.7	0.1 • 1.3 0.1 3.5	 0.7	0.1 1,3 0,1 2.0	8.5 3.1 17.0 20.3 3.0	=	8.5 3.1 1.4 20.3 3.0	16.6	0.2 1.0 1.0	- =	6.1 6.3 1.0	- - -	3.6	3.0	0.3	=	=======================================	-
Rwanda Serveral Seyenettes Sierra Leone	0.5 13.0 2.8	0.5 13.0 2.8	0,5 8,8 2,5	Ē	0.1 0.1 0.1	Ξ	0.1 0.1 0.1	0.4 7.0 1.2	=	7.4 	0.4 0.5 1.0	0.8 1.5	=	4.2	=	=	=	=	=	=	=

unglågefred

Next 20 Page(s) In Document Exempt

Nigeria: Prospects for Foreign Exchange Earnings and Expenditures

Nigeria's proved oil reserves amount to about 20 billion barrels, representing 25 years of production at the current rate. Potential reserves are believed to be much larger. In addition, long-term prospects are favorable for export of natural gas, reserves of which are estimated at 40 trillion cubic feet.

Nigerian oil revenues reached \$8.6 billion in 1974, up from \$2.4 billion in 1973 (see table). In 1980 oil revenues could be more than \$11 billion assuming exports grow slowly and prices remain at today's level. In late 1974, however, after years of steadily increasing oil production, Lagos did reduce output -- ostensibly for conservation reasons -- and is now producing at 80% of capacity.

If imports grow at about 15% a year (Nigeria's estimated absorptive capacity), Nigerian reserves -\$5.5 billion at the end of 1974 -- would total \$20 billion to \$30 billion in 1980. After 1980 financial reserves will probably begin to drop off as public expenditures continue to grow and oil revenues level off. Lagos could reduce its cash reserves prior to 1980 by investing

CONFIDERITIAL

25X1

large amounts of capital abroad. Nigeria also has an outlet for its funds in less fortunate neighbors who are pressing for financial support.

Nigerian oil income is not large when related to the needs of its 80 million people. Per capita income of only about \$250 places Nigeria among the least developed of countries. Nigeria has the potential over an extended period for a large expansion in investment and in imports. The recently announced Third National Development Plan (FY 1976-FY 1980) calls for investments of \$48.6 billion of which \$32.4 billion is to come from the public sector. While well within the projected revenues of the government, the projected expenditures appear to be well in excess of the government's implementation capabilities. A scarcity of managerial and technical manpower and inadequate institutions to administer development projects will limit the increase in Nigerian investment for some time. Public sector investment in FY 1975, for example, will probably be less than \$2.5 billion.

2

COLLEGIFIAL

Nigeria: Estimated Balance of Payments

		Bill	ion US \$
	1973	1974	1980
Exports of goods and services	3.4	9.5	13.5
Of which: oil revenues	(2.4)	(8.6)	(11.5)
Imports of goods and services	3.5	4.6	10.5
Current account balance	1	4.9	3.0
Year end total reserves	.6	5.5	20-30

Increased Oil Prices: A Threat to Sub-Saharan African Development

Introduction

Sharply increased petroleum prices have not yet had as dire an effect on the economics of the non-producing African countries as was generally anticipated in early 1974. Increases in the prices of many major African exports and the dependence by most of the African populations on subsistence agriculture — which requires no oil inputs — have cushioned the immediate impact. The most damaging effect is against the countries long-term potential for development. In addition, inflationary rises in consumer prices, to which the high oil prices have been a major contributor, have cut into the welfare of most urban Africans. In the four sub-Saharan countries with oil production — Nigeria, Gabon, Angola and Congo — development prospects have improved dramatically.

The African Gainers

Nigeria dominates sub-Saharan petroleum production and has reaped by far the largest gains from it. With production of 2.3 million b/d, it is now the world's sixth largest oil producer and has followed the lead of other OPEC countries in raising prices. Its reserves

totalled more than \$4 billion at the end of September compared to a total of just \$592 million at the end of 1973. Nigerian government revenues from oil are expected to total \$9 billion in 1974 -- almost 4 times the 1973 figure.

So far effects of the increased oil prices on the other African producers has been mixed. Gabon's petroleum production -- 150,000 b/d in 1973 -- has made it a rich country by African standards. Its per capita income of \$900 is already the largest in black Africa. Oil revenues have risen from about \$83 million in 1973 to more than \$500 million in 1974. Angola, as a Portuguese province, has probably not profited domestically from the oil price increases. Its oil production of about 160,000 b/6 has been subject to Portuguese demand for domestic use and prices have probably not been allowed to rise with the OPEC increases. With independence, however, Angola will be in a better position to maximize returns from petroleum for domestic development. Although the Congo is a modest producer of oil -- 39,000 b/d in 1973 -- it has no refinery and is forced to import high priced petroleum products.

gold and foreign exchange to be able to rely for even moderate periods on increased withdrawals from reserves. Other imports can't be reduced significantly without cutting into supplies of essential food commodities and of transport equipment and other machinery. Increased indebtedness, therefore, will be the principal means of financing the higher oil costs.

OPEC Relief

With their growing oil wealth, the African and Arab producing countries have been under increasing pressure from the African oil importers to take steps to offset the sharply increased energy costs. A number of African countries have approached Nigeria, hoping to buy oil at low prices. Nigeria -- with one-fourth of black Africa's population and a per capita income of less than \$200 -- is reluctant to provide cheap oil or economic assistance on a significant scale. Nevertheless, it has recently reiterated its willingness to provide some of the oil-importers with crude at below market prices providing they request it and have refineries.

The Arab oil-producing countries have set up an Arab Fund for Africa with a capital of \$200 million to assist African countries in meeting the higher oil

[NGLISSIED]

Status and Outlook for Producer Country Oil Barter and Soft Currency Deals with LDC's

General

In general the oil producing countries have adhered to OPEC policies which avoid price discounts to consumers. Based on available information, they have not yet gone beyond the negotiation stage for soft currency or oil barter deals. There are some indications that price concessions have been made but any such concessions fail to reduce the LDC oil burden significantly. We believe the oil producers would prefer to provide relief to selected countries through the aid mechanism rather than through selling oil on soft or barter terms.

The request for relief by the more than 70 oil importing LDC's certainly will continue but positive responses by the oil producers are likely to be concentrated in those countries who can offer the best return.

Brazil which alone accounts for 16% of LDC oil imports has been most active in attempting to work out deals with the producers. Brazil can offer agricultural goods, industrial raw materials, and some technology, as well as a good investment climate and the possibility of participation in joint ventures. LDC's with less

UNG! ASSITED

on oil sales reportedly have been turned down by the Libyans. No barter or soft-currency sales are known to have been made to LDC's. In the past, Libya has supplied oil gratus as part of a broader aid program, for example, giving the Arab belligerents oil during the October 1973 war with Israel. Some oil may have been shipped under similar circumstances in 1974 and may be expected to reoccur if it serves Libya's political interests.

Nigeria

Nigeria's large population and extensive development needs keep it among the poorest of the oil producing countries. While it aspires to leadership in Black Africa, it is not likely to sacrifice domestic development by diverting large quantities of either funds or low-priced oil to its neighbors. Philip Asiodu, Permanent Secretary of Mines and Power, did announce in July 1974 that Nigeria would consider selling oil at concessionary prices to a few neighboring African countries. To date we have no evidence that this has been done.

Saudi Arabia

An early 1974 Saudi stand against barter or soft currency payments for oil by LDC's apparently

4 EHELMSSFAD

Approved For Release 2005/01/10: CIA-RDP86TQ0608R000600070012-7

Equador: Imports and the Balance of Payments Traspects

Balance of Payments in 1973-1974

- in its balance of payments has been modest. Surpluses of about \$100 million were achieved in each of the past three years and foreign reserves rose to \$350 million by the close of 1974. Nevertheless, reserves did not grow as much as expected, largely because imports rose sharply and capital inflows fell off during both 1973 and 1974. In addition, a break in the Trans-Andean pipeline interrupted petroleum exports in July 1974 while disputes between Quito and the oil companies caused an export disruption during the last quarter of the year.
- 2. Imports doubled in value during 1973 and 1974.

 Machinery, transportation equipment and raw materials

 accounted for most of the increase as Quito began to expand
 the countries small industrial sector and improve its
 transportation system. Moreover, rising consumer demand,
 stimulated by the oil boom and by government development and
 welfare expenditures, has increased imports of foodstuffs,
 textiles, and household goods.
- 3. Long-term capital in lows declined sharply in 1973 and virtually came to a halt in 1974. Petroleum companies have cut their investments because of Ecuador's tax policies

and stringent regulation of foreign capital. Foreign entry into other industries is being stifled by Andean Pact investment code restrictions.

Origin of Imports

4. Over 40% of Ecuador's imports, mainly machinery, transportation equipment and foodstuffs, come from the United States. Western Europe supplies about 25% of Ecuadorean imports and Japan provides somewhat over 10%.

Prospects through 1977

5. During the next few years, Ecuador probably will encounter rising current account deficits. Imports are still growing very rapidly and this trend should continue for the next three years, although the rate of increase will slacken after 1975. Despite some progress, public sector development programs have been slow in getting underway and much of their impact has yet to be felt. Meanwhile, oil exports probably will rise only 25% this year and are expected to level off thereafter, since Ecuador's proven oil reserves are limited and significant new discoveries have not been made. Moreover, non-oil exports have little growth potential. Of total non-petroleum exports, about 36% is accounted for by bananas Banana prices and production have been stable in recent years and this trend is expected to continue. The output of other commodities, coffee, cocoa, and sugar,

Approved For Release 2005/01/10: CIA-RDP86T00608R000600070012-7 and fish products will continue to stagnate because of

lack of incentives.

capital inflow beginning this year. Prospects for new direct investment in the oil sector remain slim, and there is little prospect that the Andean Pact investment code will be changed. Quito hopes to negotiate government to government financing and has asked for \$1.0 billion in credits from the richer OPEC countries. There is little chance that loans of this magnitude will be forthcoming but Venezuela and perhaps one or two Arab countries probably will meet part of Ecuador's needs. Even if moderate capital inflows do materialize deficits will still present problems in 1976 and 1977.

7. By 1977, Ecuador is likely to face a serious balance of payments deficit requiring a sharp curb on import growth. Development programs will need to be cut back and stretched out in order to ease the demand for imports and to avoid accelerating inflationary pressures. Likely targets for import cuts could be non-essential manufactured goods, luxury foodstuffs, and probably machinery, all of which are supplied principally by the United States.

Approved For Relea						lions
	1972	1973	1.974	1975	1976	1977
alance on goods and servi	ccs 1,-40.0	3.8	62.0	-100.0	-230.0	-460.0
Trade balance	57.6	11.9.0	232.0	500.0	0.0	-200.0
Exports	346.6	532.0	834.0	1,000.0	1,100.0	1,100.0
Imports	289.0	413.0	602.0	900.0	1,100.0	1,300.0
Net services	-97.6	-115.2	170.0	-200.0	-230.0	-260.0
Investment income	-32.0	-37.0	-45.0	-45.0	-45.0	-45.0
Net transfer payments	15.8	38.3	40.0	40.0	40.0	40.0
Private	6.3	16.8	N.A.	N.V.	N.A.	и.л.
Central government	9.5	21.5	N.A.	N.A.	N.A.	N.A.
Balance on current account	-24.2	42.1	102.0	-60.0	-190.0	-420.0
Net capital	125.3	56.4	7.0	150.0	150.0	150.0
Payments' balance and change in reserves	101.1	98.5	109.0	90.0	-40.0	270.0
					•	•

*

•	<u>.</u>	Approved	or Release 200	1972	<u> </u>	-	<u>'</u>		Million	US \$
		Total	,	289	1.973 413	602	1975	1.976	1977	
	0	Food and live	e animals	20	30	42	900	1,100	1,300	
;	<u>)</u>	Beverages and	'	12	16		62	76	90	
!	!	Crude materia	•	6	36	24	, 36 72	44	52	
1	ı	Mineral fuels		6	36	48	54	88	104 78	
	4	Animal and ve fats and oil	getable s	10	8	12	18	22	26	•
•	5	Chemicals		35	40	48	72	88	104	
5	6	Manufactured	goods	63	80	115	1.83	223	264	
		71 and 72 mac	hinery	.178	91	151	225	27 5	325	
	٠	73 transporta equipment	tion	42	58	96	151	185	218	
	8	Miscellaneous manufactures		13	1.3	12	15	19	` 22	•
•	9	Commodities, 1	NES	4	5	6	12	· 14	17	
!				; ;	The standard standards				•	•
								· :	•	•
				:				٠	•	•
				• • • • • • • • • • • • • • • • • • •			. ;		•	
, . -					n	•			•	•
					•			•	•	

1

Next 9 Page(s) In Document Exempt